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Human Centric Finance

Contributes to the Financial inclusion in our world!!

Message

On January 17th 2018,
we obtained the microfinance license from the National Bank of
Cambodia (NBC) and since then it has been almost a year and the
business is beginning to attain stability.
We would like to extend our sincerest appreciation to our stakeholders
for your continued support and patronage for the past year.

There are over 70 microfinance institutions in Cambodia as of now.
I would like to share with you, our stakeholders,
our “present” and “thoughts” to survive through this competitive market.

At the present, there are three features that we are aiming for,
“Establishing Nokyo Platform”, “Establishing Supporting New Business
Startups Scheme” and “Opportunity creating by utilizing Fintech”.

The first goal, “Establishing Nokyo Platform”,
is based on the Japanese agricultural support model.
We would like to be a functional bank like “JA Bank (Japan Agricultural Bank)”
of Nokyo. On the other hand, we would like to have a partnership with farm
management specialists and trading companies to support farmers,
our customers, to capture their financial needs.

The second goal is to contribute to fill the gap in Cambodia’s financial structure.
Major commercial banks fund the top-class customers for their relatively
big-ticket financial needs whereas various microfinance institutions fund the
individual customers for their small-ticket financial needs
(e.g. purchasing cellphone, motor bicycle, etc.). Therefore,
we are targeting the customers in the middle where not many financial
institutions focus but has yield to grow. We would like to fund these middle-class
customers to start the agricultural businesses.

The third goal is to find the value in data analysis obtained by actively using IoT
(Internet of Things).
We install GPS on our loan objects, agricultural machineries, and capture the
position and status of each machineries in real time.
We would collect all these data and analyze to explore a new method of
crediting and business opportunities.

We believe that based on fostering a sustainable corporate culture we will
continue to secure profits that enable us to grow and contribute to
Cambodian industry’s prosperity and these are our social responsibility.

In closing, I would like to ask for the continued support and understanding of
all our stakeholders as good partners and advisors. We will strive to be
“One and Unique” financial institution!



Japan ↔ Cambodia

CEO / KIKUCHI Ikuo

菊池育朗

Growing together with Cambodia

JC FINANCE PLC. (JCF) is the “One and Only” financial service provider focusing on Agricultural sector.

Mission

JCF will enhance the life and wealth of Cambodian society and sharing the benefit together through our financial platform. We will contribute to the growth of Cambodia economy and also to other Asian countries from Cambodia in the future.

Vision

JCF was founded by investment from Japan. “JC” means “Japan and Cambodia”, which shows our basic business concept that we will bring Japanese skills, technologies and experiences to the various business sectors in Cambodia starting from Agricultural sector. Our vision is to be a glocal company, acting globally and locally.

Corporate Value

JCF will provide loans in “Human Centric” ways. Loans that care for people, loans that are kind to people and loans that are customized for people. We will always be a financial institution that is there for people who needs us.



Loan Outstanding Balance

(US \$ 1,000)

7,000

3,500

0

2017 FY18 1Q FY18 2Q FY18 3Q FY18 4Q (Q)

5,930

New Loan Disbursement

(US \$ 1,000)

8,000

4,000

0

2017 FY18 1Q FY18 2Q FY18 3Q FY18 4Q (Q)

7,014

Total Customer Amount

(Amount)

500

250

0

2017 FY18 1Q FY18 2Q FY18 3Q FY18 4Q (Q)

467

Capital adequacy ratio

(%)

100%

50%

0

2017 FY18 1Q FY18 2Q FY18 3Q FY18 4Q (Q)

62.9%

Bad Loan < 30 days

(%)

1.00%

0.50%

0

2017 FY18 1Q FY18 2Q FY18 3Q FY18 4Q (Q)

(US \$ 1,000)

12

6

0.19%

Total Assets

(US \$ 1,000)

7,000

3,500

0

2017 FY18 1Q FY18 2Q FY18 3Q FY18 4Q (Q)

7,028

Organization chart



Surveillance promotes sustainable growth

We promise our stakeholders sustainable growth and improvement of the corporate value.

We have set four specialized committees to keep this promise; Risk Committee, Audit Committee, Credit Committee and Remuneration & Nomination Committee.

Also, our independent directors state valuable opinions and suggestions at the board of director's meetings and management's strategy meetings. Here is a message from one of the independent directors, Ms. TANAKA Ai, to review FY2018.

Independent Director

After obtaining the Microfinance License from National Bank of Cambodia in January 2018, JC Finance Plc. has provided more than 600 loans worth more than 6 million USD to its customers and has consolidated its position as one of the leading financial institutions in the dynamic fast moving financial market in Cambodia. As a startup company, I believe JC Finance achieved the fairly good results in its first fiscal year.

Aiming at continuous development, JC Finance needs to improve its productivity, capital efficiency, corporate governance, and preparation for the foreseeable risks. The management will deal with these issues, and I am also fully committed to grapple with these issues by supporting the management and the employees of JC Finance.

I think an Independent Director's basic role is to give practical advices based on a thorough knowledge of the Company's situation, management character, and direction. I stayed in Cambodia and served for JC Finance as the administrative manager by the end of 2018, so I have enough knowledge about JC Finance. Also, same as Mr. Kikuchi, I am the CEO of a microfinance institution in Laos, the country next to Cambodia. I think these make me well-suited for my role as an Independent Director for JC Finance.

The fiscal year of 2019 will be another challenging and tumultuous year, and I strongly believe that JC Finance will strive to overcome these challenges by focusing on improving financial result and high standards of corporate governance.

We look forward to your continued support.



Independent Director
TANAKA Ai

A handwritten signature in blue ink. The signature is stylized, starting with a large 'A' and 'T' followed by 'Tanaka' and '田中あい' in Japanese characters.

COMMITTEES OF THE BOARD

To strengthen the governance, JCF has established below committees with different levels of managements to effectively control the institution.

Risk Committee

The Risk Committee is composed of four members and chaired by Mr. Takahashi with expertise in accounting, banking, auditing, risk management and legal aspects. The Risk Committee is responsible for; managing credit risk, capital risk, liquidity and funding risk, operational risk, compliance risk and other relevant risks and reviewing economic and competitive market, political risk and others. In 2018, the Risk Committee held four times meetings to review and discuss JCF's business and operations.

Audit Committee

The Audit Committee complies with a Prakas of National Bank of Cambodia. The Audit Committee is composed of 3 members and chaired by Ms. Sopheak. The Audit Committee is responsible for ensuring compliance with legal and regulatory requirements and the information provided to the public and NBC is clear, accurate and reliable, and as stipulated in aforementioned Prakas. In 2018, the Audit Committee held meetings four times to review and discuss on matters relating to JCF.

Credit Committee

The Credit Committee is composed of three members and chaired by Mr. Tomari. The Credit Committee is responsible for ensuring that the credit policy is consistent with JCF's long-term objectives and corporate values, checking whether JCF provides services truly contribute to the customer's business development, checking whether JCF pursuit of appropriate profit on the premise of securing soundness and others. In 2018, the Credit Committee held meeting as and when necessary.

Remuneration and Nomination Committee

The Remuneration and Nomination Committee is composed of four members and chaired by Ms. Tanaka, an independent director. The Committee is responsible for ensuring the remuneration policy is consistent with the long-term objectives and corporate values of JCF and overseeing the remuneration of employees and making sure that they are all fairly rewarded for their contribution to JCF's performance. The Committee is also responsible for the selection of board members, senior management and non executive directors.

Board of Directors



高橋 伸彰 TAKAHASHI Nobuaki / Chairperson of BOD

April 2001

Joined ORIX Corporation (Finance Company)

April 2003

Joined Actus Management Service (Consulting Firm)

June 2005

Established Phil Company

Sept 2017

Established JC FINANCE PLC.

菊池 育朗 KIKUCHI Ikuro / Director, CEO

April 1991

Joined ORIX Corporation

Nov. 2002

Joined ABC Capital of ABC Cooking Group

May 2008

Appointed as Managing Director of ABC Capital

Jan 2014

Joined Something Holdings Co., Ltd.

Appointed as Executive Officer / MD of Executive Office

Jan 2015

Appointed as Director of SOMETHING HOLDINGS

ASIA PTE. LTD (Singapore)

Oct 2015

Appointed as MD of SOMETHING VIETNAM CO., LTD.

June 2018

Joined JC FINANCE PLC. Appointed as CEO of the company



泊 傑 TOMARI Suguru / Director, COO

April 2009

Joined Sumitomo Mitsui Banking Corporation

June 2012

Moved to Cambodia to start a new business

July 2015

Joined Luckland(CAMBODIA) Co., Ltd.

Corporate Advisor

March 2016

Supported Establishing JC FINANCE PLC.

2018

Appointed as COO of JC FINANCE PLC.

2019

Appointed as Director, COO of JC FINANCE PLC.



Board of Directors



高 虎男 KO Honam / Director

April 1997

Joined Deloitte Touche Tohmatsu Limited (Audit Firm) as CPA

March 2001

Joined Dream Incubator Inc.

May 2006

Appointed as Executive Officer of Dream Incubator

Sept 2008

Established JC Group and appointed as President CEO

Nov. 2016

Established JC Agricultural Cooperatives Co., Ltd.
and appointed as CEO

Sep. 2017

Established JC FINANCE PLC. and appointed as CEO/Director

June 2018

Delegated CEO of JC FINANCE PLC. to KIKUCHI Ikuro

田中 あい TANAKA Ai / Independent Director

2004

Joined All About Inc.

2008

Joined Allm Inc. (Healthcare company in Japan)

2018

Appointed as CEO of LJ Finance Ltd. (Microfinance in Laos)

2019

Appointed as an Independent Director of JC FINANCE PLC.



MEN Sopheak / Independent Director

1994

Joined Japanese Embassy of Cambodia

1999

Joined B' BOP STUDIO

2008

Joined MARUHAN Japan Bank Plc.

2014

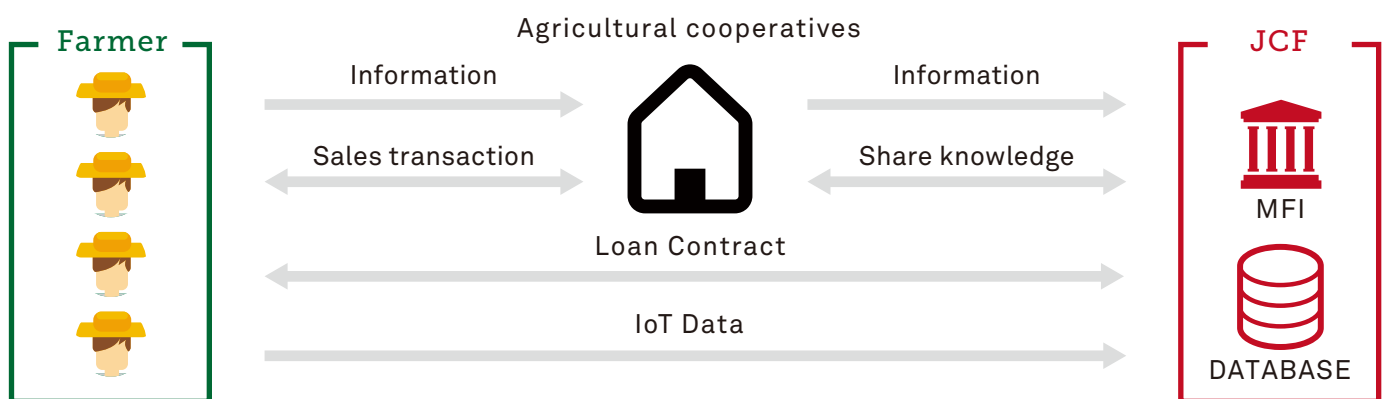
Joined ROI ASIAN CORPORATION LTD.,
and appointed as CFO

2018

Appointed as an Independent Director of JC FINANCE PLC.

Our strategy is based on Japanese Nokyo platform

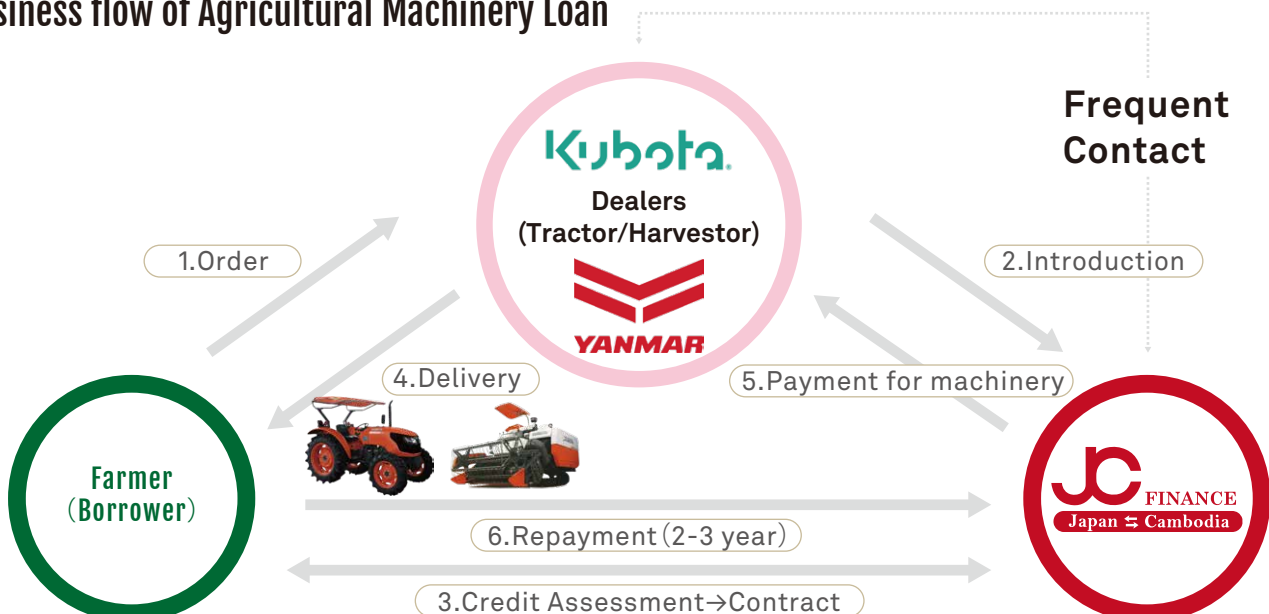
Cambodian's main agricultural product is rice and its annual yield has already surpassed that of Japan. However, yield per unit area is still 60% of Japan. There are two main reasons for this; 1. lack of production technology and 2. delay in mechanization. Our strength is supporting to bring Japanese technologies and funding to mechanize, just like "Nokyo" and "JA Bank". We will outsource the farm management business, "Nokyo business", to the specialists and trading companies and focus on financing the "agricultural" machineries by collaborating with sales companies of these machineries. This is a role model of bringing up people, distributing products and supplying capital.



Banks generally obtain real estate collateral or mortgage for any loans exceeding small-lot consumables amount. However, we try not to depend on collateral, we depend on people. As represented by our "Human-Centric Finance", we realize to be there for people by making use of IoT.

Specifically, we install GPS on all the financed farming machineries and collect real-time dynamic data and enable customers who don't have bank account to make repayment via Specialized Bank Wing Agents which has over 6,000 counters across the country. We provide convenient and customer friendly services. Moving forward, we will analyze the dynamic data and provide even more customized services to our valued customers.

Business flow of Agricultural Machinery Loan

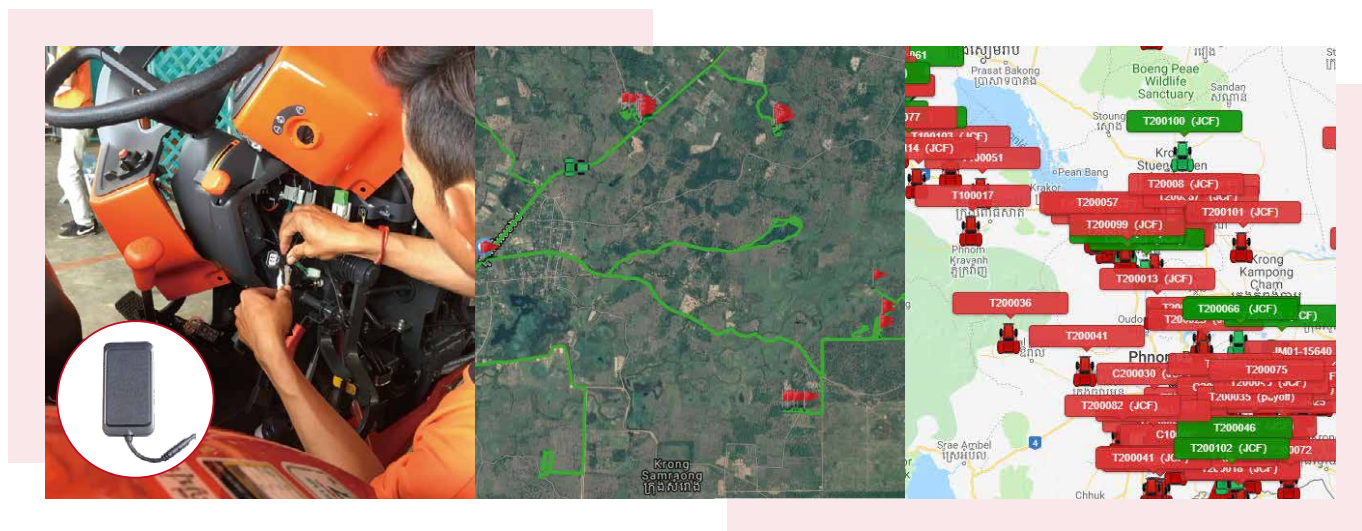


GPS

Creating new wisdom with remote control and dynamic data analysis

Our customers are farmers farming mainly their own fields and on top of that some of them farm their nearby fields owned by another person on contract as their side business. In our loan agreement, it is stated that we secure the financed agricultural machineries as collaterals and install GPS on all of them. This is to grasp the machineries' status such as their locations and it enables us to stop the engine when the repayment delays. Also, by capturing all the dynamic data from the machineries, we can predict customer's expected revenue, repayment source, by the mileage and coverage. In the future, we would like to make good use of these data to create a new crediting method and an effective marketing tool.

For customers, there are two big advantages; 1. GPS can serve as theft prevention device. In case the machinery has been stolen, it can be easily found by GPS location and 2. Dynamic data collected from GPS can be used to manage production ratio. Customers can visualize the status of their field and improve their production by combining numerical data to their experience. In the future, we would like to support contract farming business by providing a matching service like scheme between people who wants to farm and people who wants to have their fields farmed by analyzing the dynamic data.



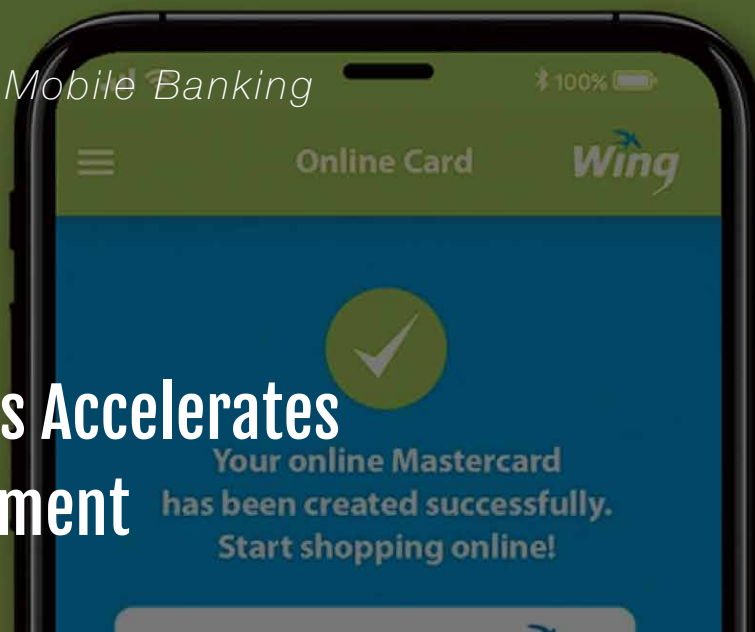
Achieved simultaneously

Theft prevention & Production ratio management

Loan collateral management

WING

Real Counters Accelerates Cashless Payment



Our customers use remittance network of Wing, a Specialized Bank. Wing has over 6,000 counters across the country whereas the largest commercial bank only has about 300 branches. Wing is extremely convenient for customers from rural areas like farmlands. We utilize these Wing's real counters to put cashless operation in practice. This enables us to avoid risks such as, misunderstandings between JCF and customers regarding repayments, loss or misappropriation of cash and others. In addition, it also avoids calculation errors as all cash paid via Wing is captured by our main business processing system.

Wing has made it very convenient for customers to repay and improved repayment rate and realized to avoid the various operational risks. In the future, we are considering upgrading the system to correspond with blockchain payment which National Bank of Cambodia has announced to introduce.



Achieved simultaneously

Convenience improvement for remote farmers.

Repayment rate improvement &
Operational risk avoidance

Agri-Devices

It's time to implement technology to predict revenue



We actively utilize “Technology” such as IoT (Internet of Things) and agricultural devices. Specifically, we use agricultural drones and fixed-point observation cameras by collaborating with specialized companies, which may play a role as “Nokyo” in the future. By analyzing the images and data from the devices, we can have a good grasp of the growth situation of rice and other crops which are income sources for our customers. As the repayment rate from the customers highly depend on the amount of yield, it is important to know in advance that customers are expecting planned amount of yield on time as scheduled to make repayments. Having a good grasp of the crops is synonymous with monitoring the debt status periodically and it is one of the differentiated debt collection know-hows. In the future, we are considering getting involved in not only financing sector of alley crops like rice but also greenhouse cultivation and plant factory cultivation.

The advantage for customers by utilizing agricultural devices is to get appropriate farming advices such as images taken by drone can visualize the sloped fields, the color of crops shows moisture shortage, insufficient fertilizer or pest damage. Fee-charging farming advices are not familiar in Cambodia yet, but we believe that together with financial service, we can develop a value added financial product.



Achieved simultaneously

Farming advice & guiding service

Management of debt collection source

SDGs

Sustainable Development Goals



Approach to SDGs

The SDGs are a universal call to action adopted at the UN Summit in September 2015 to end poverty, protect the planet and ensure that all people enjoy peace and prosperity. The SDGs are the goals that 193 member states of the United Nations have set to achieve in 15 years from 2016 to 2030. There are 17 major goals and 169 specific targets. Out of 17 goals, we are focusing on 9th goal “Industry, Innovation and Infrastructure” in aligned with our vision. The specific targets of the 9th goal are as follows;

9th Goal : INDUSTRY, INNOVATION AND INFRASTRUCTURE

TARGET

9-3

Expand access to financial services, such as cheap money lending, and integration into value chains and markets for small manufacturers and other companies.

TARGET

9-A

Promote sustainable and resilient infrastructure development in developing countries through enhanced financial, technology and technology support.

We regard farmers, our customers, as small-scale companies, and consider that providing funds to these farmers through our financial platform is a mechanism to support establishing the agricultural business field. In addition, we are actively involved to spread the Japanese agricultural technologies by collaborating with Japanese companies that support farming. As a result, it can be said that we are bringing innovation into the agricultural sector, which is one of Cambodia's main industries, and participating in establishing the bases to improve the living standard for the people of Cambodia. This initiative can be expanded to other business fields as we grow.

Company Event



1st Annual General Meeting was held at AEON MALL 2 Sen Sok Phnom penh.

We have successfully completed all Program together and enjoyed the Dinner party. In the Program, we had Award session where some members received the company awards of the year for their performances and contributions in 2018

Program

CEO Presentation

Performance Review for 2018 (Group work & Presentation)

Communication Training Program

Photo Session

Dinner Party (Award Session)

Financial Statement Summary

Here are the results for FY2017 and FY2018 of our company. The results for FY2017 are for the preparatory company before obtaining the license of MFI from NBC in January 2018.

On the other hand,

the figures of the income statement in the audit report summary from our auditor, Ernst & Young(Cambodia) Ltd. are for 16 months (FY2017 and FY2018) as the audit for FY2017 and FY2018 was conducted simultaneously after closing of FY2018.

Financila Statement Summary (BS)

Financial Statement Summary (BS)

		4.018 KHR'000	4.037 KHR'000		
		31DEC2018(USD)	31DEC2018(KHR)	31DEC2017(USD)	31DEC2017(KHR)
01	ASSETS				
02	Balances with other banks	914,258	3,673,489	2,000	8,074
03	Balances with the NBC	102,158	410,471	2,000,825	8,077,331
04	Loans to customers	5,910,343	23,747,758		0
05	Other assets	46,127	185,338	396	1,599
06	Property and equipment	16,520	66,377	15,191	61,326
07	Software	35,524	142,735		0
08	TOTAL ASSETS	7,024,930	28,226,168	2,018,412	8,148,329
09	LIABILITIES AND SHAREHOLDERS' EQUITY				
10	Liabilities				
11	Provision for income tax	1,008	4,050	0	0
12	Borrowings	2,540,017	10,205,788	0	0
13	Other liabilities	71,562	287,537	210,082	848,101
14	Total liabilities	2,612,587	10,497,375	210,082	848,101
15	Shareholders' equity				
16	Share capital	2,000,000	8,036,000	2,000,000	8,074,000
17	Deposit for future capital injection	3,000,000	12,054,000	0	0
18	Loss for the period	-587,657	-2,361,207	-191,670	-773,772
19	Total Shareholders' equity	4,412,343	17,728,793	1,808,330	7,300,228
20	TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	7,024,930	28,226,168	2,018,412	8,148,329

Financila Statement Summary (PL)

Financial Statement Summary (PL)

		4.018 KHR'000	4.037 KHR'000		
		2018(USD)	2018(KHR)	2017(USD)	2017(KHR)
01	Operating income				
02	Interest income	483,643	1,943,276	72	291
03	Interest expense	-96,717	388,609	0	0
04	Net interest income	386,926	1,554,667	72	291
05	Fees and commission income- net	107,862	433,391	0	0
06	Other income	9,715	39,035	0	0
07	Total operating income	504,503	2,027,093	72	291
08	General and administrative expenses	-830,776	-3,334,419	-191,742	-774,062
09	Provision for losses on loans to customers	-63,579	-255,460	0	0
10	Loss before income tax	-389,852	-1,562,786	-191,670	-773,771
11	Income tax expense	-6,136	-24,647	0	-1
12	Net loss for the period	-395,987	-1,587,433	-191,670	-773,772

Reference: 61380617/19769908

INDEPENDENT AUDITOR'S REPORT

To: The Shareholders of JC Finance Plc.

Opinion

We have audited the financial statements of JC Finance Plc. ("the Company"), which comprise the balance sheet as at 31 December 2018, and the income statement, statement of changes in equity and statement of cash flows for the initial period from 14 September 2017 to 31 December 2018 ("the initial period"), and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Company as at 31 December 2018, and its financial performance and its cash flows for the initial period then ended in accordance with Cambodian Accounting Standards ("CASs") and relevant regulations and guidelines issued by the National Bank of Cambodia ("NBC").

Basis for Opinion

We conducted our audit in accordance with Cambodian International Standards on Auditing ("CISAs"). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Company in accordance with the sub-decree on the Code of Ethics for Professional Accountants and Auditors promulgated by the Royal Government of Cambodia, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Other Information

The other information obtained at the date of the auditor's report comprises the Report of the Board of Directors as set out in pages 1 to 4. Management is responsible for the other information.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation of financial statements that give a true and fair view in accordance with CASs and relevant regulations and guidelines issued by the NBC, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with CISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with CISAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.



Maria Cristina M. Calimbis
Partner

Ernst & Young (Cambodia) Ltd.
Certified Public Accountants
Registered Auditors

Phnom Penh, Kingdom of Cambodia

30 April 2019

JC Finance Plc.

BALANCE SHEET as at 31 December 2018

	Notes	US\$	KHR'000 equivalent (Note 2.1)
ASSETS			
Balances with other banks	4	914,258	3,673,489
Balances with the National Bank of Cambodia ("NBC")	5	102,158	410,471
Loans to customers	6	5,910,343	23,747,758
Other assets	7	46,127	185,338
Property and equipment	8	16,520	66,377
Software	9	35,524	142,735
TOTAL ASSETS		7,024,930	28,226,168
LIABILITIES AND SHAREHOLDERS' EQUITY			
Liabilities			
Provision for income tax	10.2	1,008	4,050
Borrowings	11	2,540,017	10,205,788
Other liabilities	12	71,562	287,537
Total liabilities		2,612,587	10,497,375
Shareholders' equity			
Share capital	13	2,000,000	8,036,000
Deposit for future capital injection	14	3,000,000	12,054,000
Loss for the period		(587,657)	(2,361,207)
Total shareholders' equity		4,412,343	17,728,793
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		7,024,930	28,226,168

JC Finance Plc.

INCOME STATEMENT

for the initial period from 14 September 2017 to 31 December 2018

	Notes	US\$	KHR'000 equivalent (Note 2.1)
Operating income			
Interest income	15	483,715	1,943,567
Interest expense	16	(96,717)	(388,609)
Net interest income		386,998	1,554,958
Fees and commission income - net	17	107,862	433,391
Other income	18	9,715	39,035
Total operating income		504,575	2,027,384
General and administrative expenses	19	(1,022,518)	(4,108,481)
Provision for losses on loans to customers	6	(63,579)	(255,460)
Loss before income tax		(581,522)	(2,336,557)
Income tax expense	10.1	(6,135)	(24,650)
Net loss for the period		(587,657)	(2,361,207)

JC Finance Plc.

STATEMENT OF CHANGES IN EQUITY for the initial period from 14 September 2017 to 31 December 2018

	Share capital US\$ (Note 13)	Deposit for future share capital injection US\$ (Note 14)	Net loss US\$	Total US\$
As at 14 September 2017	-	-	-	-
Share capital injection	2,000,000	-	-	2,000,000
Deposit for future share capital injection	-	3,000,000	-	3,000,000
Net loss for the period	-	-	(587,657)	(587,657)
As at 31 December 2018	2,000,000	3,000,000	(587,657)	4,412,343
KHR'000 equivalent (Note 2.1)	8,036,000	12,054,000	(2,361,207)	17,728,793

JC Finance Plc.

STATEMENT OF CASH FLOWS

for the initial period from 14 September 2017 to 31 December 2018

	Notes	US\$	KHR'000 equivalent (Note 2.1)
OPERATING ACTIVITIES			
Loss before income tax		(581,522)	(2,336,557)
Adjustments for:			
Depreciation and amortization	8, 9	17,816	71,585
Provision for losses on loans to customers	6	63,579	255,460
		(500,127)	(2,009,512)
<i>Movements in operating assets and liabilities</i>			
Time deposits	4	(200,000)	(803,600)
Statutory deposit	5	(100,000)	(401,800)
Loans to customers	6	(5,973,922)	(24,003,218)
Other assets	7	(46,127)	(185,338)
Other liabilities	12	71,562	287,537
Income tax paid	10.2	(5,127)	(20,600)
Net cash used in operating activities		(6,753,741)	(27,136,531)
INVESTING ACTIVITIES			
Acquisition of:			
Property and equipment	8	(30,389)	(122,103)
Software	9	(39,471)	(158,594)
Net cash used in investing activities		(69,860)	(280,697)
FINANCING ACTIVITIES			
Proceeds from borrowings		3,381,578	13,587,180
Repayment of borrowings		(841,561)	(3,381,392)
Proceeds from capital injection	13	2,000,000	8,036,000
Proceeds from deposit for future share capital injection	14	3,000,000	12,054,000
Net cash generated from financing activities		7,540,017	30,295,788
Net increase in cash		716,416	2,878,560
Foreign exchange difference		-	-
Cash at end of the period		716,416	2,878,560

JC Finance Plc.

NOTES TO THE FINANCIAL STATEMENTS

as at 31 December 2018 and for the initial period then ended

1. CORPORATE INFORMATION

JC Finance Plc. ("the Company") is a licensed microfinance institution ("MFI") incorporated and registered in the Kingdom of Cambodia.

Establishment and operations

The Company was incorporated in Cambodia on 14 September 2017 as a public limited company under registration no. 00028092 issued by the Ministry of Commerce ("MoC"). The Company received a microfinance license from the National Bank of Cambodia ("NBC") on 17 January 2018 for a validity of three-year period until 17 January 2021.

The principal activity of the Company is to provide financial services focused on agricultural loans to support farmers in Cambodia.

The Company's registered office address is located at No. 11, Street 376, Sangkat Boeung Keng Kang III, Khan Chamkarmon, Phnom Penh, Kingdom of Cambodia.

Location

The Company's registered office address is located at No. 11, Street 376, Sangkat Boeung Keng Kang III, Khan Chamkarmon, Phnom Penh, Kingdom of Cambodia.

Employees

As at 31 December 2018, the Company had a total of 40 employees.

Approval of the financial statements

The financial statements were authorized for issue by the Board of Directors ("BoD") on 30 April 2019.

2. SIGNIFICANT ACCOUNTING POLICIES

2.1 ***Basis of presentation***

The Company prepares its financial statements based on the historical cost convention. The Company maintains its records in United States dollar ("US\$") and prepares its financial statements in US\$ in accordance with NBC Prakas No. B7-07-164 dated 13 December 2007 on *Use of Language, Currency Unit and Exchange Rate for Accounting Records and Reports*.

The financial statements of the Company have been prepared in compliance with Cambodian Accounting Standards ("CASs") and relevant regulations and guidelines issued by the NBC.

The translation of the US\$ amounts in the financial statements into Khmer Riel ("KHR") is provided for the sole purpose of complying with NBC Prakas No. B7-07-164 dated 13 December 2007 using the official rate of exchange regulated by the NBC as at the reporting date, which was US\$1 to KHR4,018 as at 31 December 2018. Such translation should not be construed as a representation that the US\$ amounts represent, or have been or could be, converted into Riel at that or any other rate.

Standards not yet adopted

On 24 March 2016, the National Accounting Council of Cambodia ("NAC") announced that the adoption of Cambodian International Financial Reporting Standards ("CIFRSs") is deferred for implementation commencing 1 January 2019. During the transition period, banks and financial institutions, including insurance companies, shall prepare progress report regarding the implementation of CIFRS and report annually to the NAC and other regulators. On 3 January 2019, the NAC issued a notification that non-deposit taking microfinance institutions can choose to report under CIFRS for SMEs.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

2.1 Basis of presentation (continued)

Standards not yet adopted (continued)

The adoption of either CIFRSs or CIFRS for SMEs is expected to have a significant impact on the financial statements of the Company.

Fiscal year

The financial statements were presented based on the initial fiscal year that covered the period from the date of incorporation, 14 September 2017, to 31 December 2018. The Company's usual fiscal year starts on 1 January and ends on 31 December.

Presentation of financial statements

The accompanying financial statements, including their utilization, are not designed for those who are not informed about the Kingdom of Cambodia's accounting principles, procedures and practices and furthermore are not intended to present the financial position and results of operations and cash flows in accordance with accounting principles and practices generally accepted in countries other than the Kingdom of Cambodia.

2.2 Significant accounting judgments and estimates

In applying the Company's accounting policies, management has used its judgment and made estimates in determining the amounts recognized in the financial statements, as follows:

2.2.1 Functional currency

CAS 21 requires management to use its judgment to determine the entity's functional currency such that it most faithfully represents the economic effects of the underlying transactions, events and conditions that are relevant to the entity. In making this judgment, the Company considers the following:

- (i) The currency that mainly influences prices for financial instruments and services (this will often be the currency in which prices for its financial instruments and services are denominated and settled);
- (ii) The currency in which funds from financing activities are generated; and
- (iii) The currency in which receipts from operating activities are usually retained.

2.2.2 Estimated useful lives of property and equipment

The useful life of each item of property and equipment is estimated based on the period over which the asset is expected to be available for use. Such estimation is based on a collective assessment of similar businesses, internal technical evaluation and experience with similar assets. The estimated useful life of each asset is reviewed periodically and updated if expectations differ from previous estimates due to physical wear and tear, technical or commercial obsolescence and legal or other limits on the use of the asset. It is possible, however, that future results of operations could be materially affected by changes in the amounts and timing of recorded expenses brought about by changes in the factors mentioned above. A reduction in the estimated useful life of any item of property and equipment would increase the recorded operating expenses and decrease the carrying value of these nonfinancial assets.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

2.2 Significant accounting judgments and estimates (continued)

2.2.3 *Operating leases*

The Company has entered into property leases as a lessee for most of its office premises. The Company has determined that the lessor retained all the significant risks and rewards of ownership over this property based on the indicators of operating lease treatment. In determining whether or not there is an indication of operating lease treatment, the Company considers the following factors: retention of ownership title to the leased property, and period of lease contract relative to the estimated useful economic life of the leased property, bearer of executory costs, among others.

2.2.4 *Impairment losses on loans to customers*

When preparing the financial statements, the quality of loans to customers is reviewed and assessed to determine their classification and level of allowance for impairment losses, as disclosed in Note 2.3.6.

2.2.5 *Impairment of non-financial assets*

Impairment exists when the carrying value of an asset or cash generating unit exceeds its recoverable amount, which is the higher of its fair value less costs to sell and its value in use. The fair value less costs to sell calculation is based on available data from binding sales transactions in an arm's length transaction of similar assets or observable market prices less incremental costs for disposing of the asset. The value in use calculation is based on a discounted cash flow model.

2.2.6 *Recognition of deferred tax assets*

Deferred tax assets are recognized for all unused tax losses and temporary differences to the extent that it is probable that future taxable profit will be available against which the losses can be utilized. Significant management judgment is required to determine the amount of deferred tax assets that can be recognized, based upon the likely timing and level of future taxable income together with future tax planning strategies.

2.2.7 *Taxes*

Taxes are calculated on the basis of the current interpretation of the tax regulations. However, these regulations are subject to periodic variation and the ultimate determination of tax expense will be made following inspection by the General Department of Taxation ("GDT"). The Company's tax returns are subject to periodic examination by the GDT. As the application of tax laws and regulations to many types of transactions are susceptible to varying interpretations, amounts reported in the financial statements could be changed at a later date upon final determination by the GDT.

2.3 *Summary of significant accounting policies*

2.3.1 *Change in accounting policies*

The accounting policies and methods of calculation applied by the Company are consistently applied, except as otherwise indicated.

2.3.2 *Cash and cash equivalents*

For cash flow statement purposes, cash and cash equivalents include cash on hand, balances with the NBC and other banks and short term highly liquid investments with original maturities of three months or less from date of placements, and that are readily convertible to known amounts of cash and subject to insignificant risk of change in value.

JC Finance Plc.

NOTES TO THE FINANCIAL STATEMENTS (continued)
as at 31 December 2018 and for the initial period then ended

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

2.3 Summary of significant accounting policies

2.3.3 Balances with other banks

Balances with other banks are carried at cost.

2.3.4 Statutory deposits

Statutory deposits are maintained with the NBC in compliance with the Cambodian Law on Banking and Financial Institutions and are determined by defined percentages of minimum share capital and customers' deposits as required by the NBC.

2.3.5 Loans to customers

All loans to customers are stated in the balance sheet at principal amount and accrued interest receivable (net of interest in suspense), less any amounts written off and allowance for losses on loans. Short term loans are those with repayment date within one year from the date the loan was advanced. Long term loans are those with final repayment date of more than one year from the date the loan was advanced.

Loans are written off when there is no realistic prospect of recovery. Recoveries of Loans previously written off, or provided for, decrease the amount of the provision for losses on Loans in the income statement.

Loans classified as substandard, doubtful or loss are considered non-performing loans.

2.3.6 Allowance for losses on loans

Allowance for losses on loans to customers is made with regard to specific risks and relates to those Loans that have been individually reviewed and specifically identified as special mention, substandard, doubtful or loss. General allowance is also maintained for loans classified as normal.

The allowance is based on a percentage of total outstanding Loans.

On 1 December 2017, the NBC issued Prakas No. B7-017-344 on Credit Risk Grading and Impairment Provisioning effective from the date of issue. The Prakas requires banks and financial institutions to calculate the regulatory provision by classifying their loan portfolio into five classes based on number of days past due of principal and/or interest repayment. The NBC subsequently issued Circular No. B7-018-001 dated 16 February 2018 to clarify the mandatory level of general and specific allowance provided based on the loan classification as follows:

<i>Classification</i>	<i>Number of days past due</i>	<i>Allowance rate</i>
Standard	Zero to 14 days (short-term)	1%
	Zero to 29 days (long-term)	
Special mention	15 days to 30 days (short-term)	3%
	30 days to 89 days (long-term)	
Substandard	31 days to 60 days (short-term)	20%
	90 days to 179 days (long-term)	
Doubtful	61 days to 90 days (short-term)	50%
	180 days to 359 days (long-term)	
Loss	More than 91 days (short-term)	100%
	360 days or more (long-term)	

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

2.3 Summary of significant accounting policies (continued)

2.3.6 Allowance for losses on Loans (continued)

The regulatory provision applies to all on and off balance sheet facilities of banks and financial institutions.

Further, the recently issued Prakas requires the comparison of the regulatory provision with the impairment provision determined based on the relevant CIFRSs, if and when adopted. During the transition period before the implementation of relevant CIFRSs, the Bank will follow the mandatory credit classification and regulatory provision in the said Prakas.

The provision is calculated as a percentage of the loan outstanding at the time the loan is classified, excluding accrued interest, and is charged as an expense. Interest accrued from non-performing loans is recorded as interest in suspense in balance sheet.

Factors considered in evaluating the adequacy of the allowance include the size of the portfolio, previous loss experience, current economic conditions and their effect on clients, the financial situation of clients and the performance of loans in relation to contract terms.

Loans are written off automatically when a client dies and in case where the loans remain unpaid based on the assessment of the management and upon the approval of the Board of Directors. Loans written off are removed from the outstanding loan portfolio and from the provision for bad and doubtful loans. Recoveries on loans previously written off and reversals of previous allowance are disclosed together with the net movement in the allowance for bad and doubtful Loans in the income statement.

2.3.7 Property and equipment

Property and equipment are stated at cost excluding day-to-day servicing, less accumulated depreciation and provision for impairment in value (if any). Changes in the expected useful life are accounted for by changing the depreciation period or method, as appropriate and treated as a change in accounting estimate.

An item of property and equipment is derecognized upon disposal or when no future benefits are expected from its use. Any gain or loss on de-recognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is recognized in "other operating income" or "expense" in the income statement in the year the asset is derecognized.

Subsequent expenditure relating to an item of property and equipment that has already been recognized is added to the carrying amount of the asset when it is probable that future economic benefits, in excess of the originally assessed standard of performance of the existing asset, will flow to the Company. All other subsequent expenditure is recognized as an expense in the year in which it is incurred.

Fully depreciated property and equipment are retained in the financial statements until disposed of or written off.

2.3.8 Depreciation

Depreciation of property and equipment, is charged to the income statement on a declining balance basis at the following rates:

Leasehold improvements	20%
Furniture and fittings and equipment	25%
Computer equipment	50%
Motor vehicles	25%

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

2.3 Summary of significant accounting policies (continued)

2.3.9 Software

Software is stated at cost less accumulated amortization and accumulated impairment losses, if any. It is amortized on a straight-line basis at the rate of 10% per annum. If there is an indication that there has been a significant change in amortization rate, useful life or residual value of software, the amortization is revised prospectively to reflect the new expectations.

2.3.10 Determination of fair value

The fair value for financial instruments traded in the active markets at the balance sheet date is based on their quoted market price or dealer price quotations (bid price for long positions and ask price for short positions), without any deduction for transaction costs.

For all other financial instruments that are not listed in an active market, the fair value is determined by using appropriate valuation techniques.

2.3.11 Other assets

Other assets are carried at anticipated realizable values. An estimate is made for impairment loss based on a review of all outstanding amounts as at the balance sheet date.

2.3.12 Provisions

Provisions are recognized when the Company has a present obligation as a result of a past event and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate of the amount can be made.

Provisions are reviewed at each balance sheet date and adjusted to reflect the current best estimate. Where the effect of the time value of money is material, the amount of the provision is the present value of the expenditure expected to be required to settle the obligation.

2.3.13 Corporate income tax

Current income tax

Current income tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted at the balance sheet date.

Deferred income tax

Deferred income tax is provided using the balance sheet liability method on temporary differences at the balance sheet date between the tax base of assets and liabilities and their carrying amount for financial reporting purposes.

Deferred income tax liabilities are recognized for all taxable temporary differences, except where the deferred income tax liability arises from the initial recognition of an asset or liability in a transaction which at the time of the transaction affects neither the accounting profit nor taxable profit or loss.

Deferred income tax assets are recognized for all deductible temporary differences to the extent that it is probable that future taxable profits will be available against which these differences can be utilized, except where the deferred tax arises from the initial recognition of an asset or liability in a transaction which at the time of the transaction affects neither the accounting profit nor taxable profit or loss.

The carrying amount of deferred income tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the assets to be recovered. Unrecognized deferred income tax assets are re-assessed at each balance sheet date and are recognized to the extent that it has become probable that future taxable profit will allow the deferred income tax assets to be recovered.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

2.3 Summary of significant accounting policies (continued)

2.3.14 Borrowings

Borrowings are recognized initially at fair value, net of transaction costs incurred. After initial recognition, interest-bearing borrowings are measured at amortized cost using the effective interest rate method; any difference between the proceeds (net of transaction costs) and the redemption value is recognized in the statement of comprehensive income over the period of the borrowings using the effective rate method. For floating interest borrowings, effective interest rate is being calculated based on the revised cash flow expectations every reporting period.

2.3.15 Other liabilities

Other liabilities are stated at cost which represents the fair value of the consideration expected to be paid in the future for goods and services received.

2.3.16 Recognition of income or expense

Revenue is recognized to the extent that it is probable that the economic benefits will flow to the Company and the revenue can be reliably measured.

Interest income from loans to customers and balances with the NBC and other banks is recognized on a daily accrual basis, except for loans to customers that have been classified as substandard, doubtful or loss. Interest accruing to these loans shall instead be credited to an interest in suspense account.

Fees and commissions on services and facilities extended to customers are recognized outright as income in the income statement.

2.3.17 Recognition of income or expense

Interest expense on borrowings is recognized based on effective interest method. This method takes into account all contractual terms of the financial instrument including any fees or incremental costs that are directly attributable to the instrument and are an integral part of the effective interest rate.

2.3.18 Operating leases

Payments made under operating leases are recognized in the income statement on a straight-line basis over the term of the lease.

2.3.19 Seniority indemnity

In 2018, the Ministry of Labour and Vocational Training's ("MoLVT") Prakas No. 443 dated 21 September 2018 mandated the payment of seniority indemnity for unspecified duration contracted employees with implementation guidelines issued on 22 March 2019. The said Prakas requires retroactive seniority indemnity payment equal to fifteen days per year of employee service for a maximum not exceeding 6 months based on the average net wages for each year. Payment shall be spread over a period beginning December 2021 and every June and December thereafter as follows:

- Equal to three days payable every June, and
- Equal to three days payable every December.

Accordingly, the Company has accrued for retroactive seniority indemnity as disclosed in Note 12.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

2.3 Summary of significant accounting policies (continued)

2.3.20 Impairment of financial assets

The Company assesses at each balance sheet date whether there is any objective evidence that a financial asset or a group of financial assets is impaired. A financial asset or a group of financial assets is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events that has occurred after the initial recognition of the asset (an incurred "loss event") and that loss event (or events) has an impact on the estimated future cash flows of the financial assets or the group of financial assets that can be reliably estimated.

Evidence of impairment for loans to customers may include indications that a borrower or group of borrowers is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganization and where observable data indicate that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults. There is however a mandatory credit classification and minimum provisioning that the Company has to follow to meet the requirement of the NBC, as disclosed in Note 2.3.6.

2.3.21 Offsetting financial instruments

Financial assets and financial liabilities are offset and the net amount reported in the balance sheet if, and only if, there is a currently enforceable legal right to offset the recognized amounts and there is an intention to settle on a net basis, or to realize the asset and settle the liability simultaneously.

2.3.22 Related parties

Related parties, as defined in Article 49 and 50 of the Cambodian Law on Banking and Financial Institutions, include the following:

- (a) Any person holding directly or indirectly at least ten percent (10%) of the capital or voting rights;
- (b) Any company of which the Company directly or indirectly holds at least 10% of the capital or voting rights;
- (c) Any individual who participates in the administration, direction, management or internal control; and
- (d) The external auditors.

Under CAS 24 on Related Party Disclosures, parties are also considered to be related if the Company has the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making financial and operating decisions, or vice-versa, or where the Company and the party are subject to common control or significant influence.

Related parties may be individuals or corporate entities and include close family members of any individual considered to be a related party.

2.3.23 Foreign currency transactions and translation

The Company maintains its accounting system and records all transactions in original currencies. Monetary assets and liabilities denominated in foreign currencies ("FC") other than the US\$ and KHR at year-end are re-translated to US\$ at the exchange rates ruling at the reporting date. Income and expenses arising in FC and KHR are converted into US\$ at month-end using the applicable middle exchange rates rather than the exchange rates ruling at the transaction dates. Unrealized foreign exchange differences arising from the translation of monetary assets and liabilities on the balance sheet date are recognized in the income statement.

Company Profile



Company Name JC FINANCE PLC.

Business Category Micro finance Institution

License Number M.F-85

Establishment January 17th, 2018

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